1-1996

Practicing CPA, vol. 20 no. 1, January 1996

American Institute of Certified Public Accountants (AICPA)

The Practicing CPA

JANUARY 1996

Published for All Local and Regional Firms by the AICPA Private Companies Practice Section

CREATING A WINNING TEAM

Roget's Thesaurus defines a team as a group of people organized for a particular purpose. In a CPA firm, where the most important asset is its human resources, that definition of a team would seem to be essential to the firm's success.

But assembling such a team in a CPA firm, today, is somewhat analogous to putting together a sports team where the coaches (partners) are from one country and the players (staff) from another. In both team and firm, there are language differences, problems with interpretation, and, possibly, a different understanding of the rules of the game and how it should be played.

Who are the owners of CPA firms? Five years ago, an AICPA MAP committee survey of firms' professional staff revealed that the median age of managing partners was 44. Only 15 percent were under 36 years old, and 17 percent were over 55. Nine out of ten managing partners were men who, on average, had 18 years of public accounting experience.

In the old days, when these managing partners began in public accounting, there were no computers, and overtime was not compensated. It was expected. Most of the staff was male. And if you wanted to play the game, you played by the existing rules. There was no such thing as compensatory time or alternative work schedules. Those were the good old days!

Our work environment and workforce today are different. Staff members do not live to work—they work to live. Try floating the notion that you aren't going to pay for overtime anymore, but will take it into account at the end of year. I don't think staff would buy that.

Technology has created the information age. Computers and FAX machines are as common today as calculators were eighteen years ago. Additionally, the gender of our workforce is changing. Fifty percent of accounting graduates are female, and there are 25 percent fewer people in the 16 to 24 year age bracket than there were a generation ago.

In 1992, our firm had a vacancy for a staff accountant. We ran an advertisement and received 150 résumés. In 1994, we had a vacancy, ran 3 or 4 advertisements, and received, maybe, 50 résumés.

Creating a winning team requires merging the different personal cultures and creating a new one—a firm culture. We can't do things the old way, it just won't work anymore.

Defining and communicating the new firm culture is important. Some of the most disastrous decisions we have made have been when we did not listen to staff but made unilateral decisions as to what we thought would best motivate people. We have learned that we must keep the lines of communication open in both directions if we are to monitor and direct change.

In CPA firms, turnover is a given, and some firms

What's Inside . . .

believe it is a good thing. Perhaps planned and controlled turnover is good. It may provide a way to lower employee costs, or to enhance productivity if you replace a weak employee with a better one. But in today's competitive environment, we cannot ignore the cost of employee turnover.

Clients are becoming less tolerant of staff turnover and demand demonstrated expertise. Turnover also increases the time spent interviewing and training employees. And if you hire the wrong person for your firm, you might experience a loss of productivity instead of a gain.

Turnover can result in another important loss. If you lose the services of a long-time employee, someone in whom you have invested training, and your client service philosophy, you have lost part of the culture of your firm. That loss is hard to replace.

As firm leaders, we must create a positive image of our firms and communicate this in a way that encourages pride. We must do this at a time when competition is high and employee loyalty low. One way to increase staff retention is to give people personal power—the freedom to decide how to do their work.

Controlling one's work product is often difficult in a CPA firm because of client demands. But one of the ways our firm is working toward this is by allowing people to maintain their own work logs and monitor their production until a task is completed.

One of the advantages we have as a small firm is that we can meet once a week for lunch to go over the work logs and to communicate administrative information. The meetings are an opportunity to talk about what is going on and whether there is a need for reassignments, and help us work as a team to achieve our goal of quality, timely client service.

Allowing people to establish their own goals lets them create personal power. Once a year, at our firm, staff members set their own goals and budgets for the following year. The only set parameters are 1,900 chargeable hours for staff accountants and 1,800 chargeable hours for managers. When we meet in January, they evaluate their performances against their projections. We go over the results of the evaluations with staff, make recommendations for improvement, and offer guidance. Primarily, however, we want people to own their plans.

Ongoing communication is probably more important than the actual evaluation. In small CPA firms, this where we occasionally have difficulties. We are not just managers, we are out in the trenches and wear many hats. Sometimes a staff accountant coming into your office with a problem is yet another interruption in an already too busy day. To avoid this, I recommend you go over these problems at lunch or breakfast meetings. Don't shut staff out.

Questionnaires are another way to obtain feedback with minimal interruption. We use one to get ideas and suggestions from everyone in the firm. The results are tabulated and reviewed at one of our regular meetings, and then recommendations are made to the tax committee for specific actions. In our firm, the tax committee comprises the tax manager, two staff accountants, and the firm administrator, but no partners.

Affiliation or a sense of belonging is important in building a team. To foster team spirit, our firm sponsors a number of social activities, such as a cookout for staff and families during tax season. These social activities give everyone a chance to communicate informally and help create an affiliation between staff members. And don't discount the importance of humor in your work environment. As the article, "Lighten Up at the Office," in last month's *Practicing CPA* explained, humor and laughter are powerful antidotes to stress.

The blending of cultures and establishment of a winning team will surely equate to financial and personal success. We sense we are on the right track when we read an employee evaluation stating that our firm shows respect for the individual, promotes a sense of teamwork, has a real family atmosphere, and is a great place to work. ☑

—by **Lucy R. Carter, CPA,** *Carter, Young, Lankford & Roach, P.C., P.O. Box 410, Goodletsville, Tennessee 37072-2304, tel. (615) 859-9880, FAX (615) 859-0057*

The Practicing CPA (ISSN 0885-6931), January 1996, Volume 20, Number 1. Publication and editorial office: Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Printing and mailing paid by the private companies practice section (PCPS) of the AICPA division for CPA firms. Opinions of the authors are their own and do not necessarily reflect policies of the Institute.

Editor: Graham G. Goddard

Become a Good Business Generator

According to a Harvard Business School study, the best business generators share certain characteristics, most of which are the result of training and environment, not genetics. It follows that CPAs who would like to generate more business can improve their skills through study, practice, and dedication. If you are such a CPA, evaluate yourself in the following areas and commit to a self-improvement program to correct weaknesses. (Ask your partners to do the same.)

Willingness to spend time building good relationships. People usually prefer to conduct their business with individuals they like and trust. Are you willing to meet prospects and take the time to develop an amiable relationship? Are you willing to build trust by taking positions that might be unpopular but which are in the client's best long-term interest?

Acceptance of responsibility for results. The best new business generators take full responsibility for their results. They don't blame others or make excuses if they fail to win a new account. Instead, they work harder at turning the negatives of a given situation to their advantage. Are you willing to accept full responsibility for your results?

Above-average willpower and ambition. Any person who has passed the CPA examination has demonstrated willpower and ambition. The Harvard study concluded that self-discipline is key to success in sales. Would you be tempted to give up if your efforts to win a new account are rebuffed? Or would you persist toward your goals?

Ability to approach strangers. Everyone engaged in selling a product or service experiences some trepidation about approaching people with whom they have no prior business dealings. The best business generators train themselves to overcome such nervousness. Are you able to approach strangers to talk about your firm's capabilities?

High level of empathy. Good business generators can put themselves in a client's or prospect's shoes to the extent of fully understanding their needs and concerns and responding appropriately. Do you have that level of empathy?

How do you rate as a good business generator? If not as well as you would like, don't be discouraged. Remember, it is a skill that can be learned and cultivated through constant practice. In the final analysis, it is this skill plus personal effort and initiative that leads to a thriving practice. ☑

—by **Troy A. Waugh, CPA**, *P.O. Box 1208, Brentwood, Tennessee 37024-1208, tel. (615) 373-9880, FAX (615) 373-9885*

PCPS Advocacy Activities

PCPS surveying member firms

The private companies practice section (PCPS) of the AICPA division for CPA firms is conducting a member survey to determine the needs and expectations of PCPS member firms. A representative sample of managing partners is being contacted by telephone, and PCP executive committee members will follow up with extended interviews with some firms.

PCPS's last survey, in 1992, pointed up the need for tax information from the AICPA and the continuing concern with standards overload. In response, the executive committee championed the creation of the tax information phone service (TIPS), which began operating in December 1995, and appointed a special task force on standards overload, which is currently meeting with various AICPA committees to address the problem.

PCPS member firms not contacted for the survey are encouraged to send comments and suggestions to J. Mason Andres, CPA, Chair, Private Companies Practice Executive Committee, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, New Jersey 07311-3881, or via FAX, (800) FAX-1112. ☑

Revenue Reconciliation Act CPE Courses

The following CPE courses on the Revenue Reconciliation Act contain practical examples and other practice aids and include the Research Institute of America's 700-page paperback, *RIA New Law Key Provisions Plus Code*—a $30 value.

- ☐ Revenue Reconciliation Act—available within 15 days of enactment. Author: Editorial Resource Group. Recommended CPE credit: eight hours. Format: two audiocassettes/workbook (product no. 751915PCA). Cost: $89.00 (special price if you order by February 16).
- ☐ Revenue Reconciliation Act Videocourse—available within 30 days of enactment. Moderator/author: Sidney Kess, CPA, J.D. Recommended CPE credit: eight hours group study and self study. Format: one VHS tape/manual (product no.113234PCA). Cost: $129. Additional manual (product no. 113235PCA). Cost: $30.00 (save 20 to 30 percent on orders of 10 to 100 plus manuals).

To purchase, call the AICPA order department, (800) TO-AICPA, and select option #1; or FAX your order (800) 362-5066. Ask for operator PCA.

How to Write Effective Press Releases

Press releases can be used to increase public awareness of your firm and the services offered, as well as position firm personnel as valuable news sources. Press releases should be a fundamental part of any communications program.

To write an effective press release, put yourself in the position of the reporter at the newspaper, radio, or television station to whom it is directed. Consider media interests, concerns, and audience, as well as your firm's objectives. Find out what type of information is appropriate and what the reporter's deadlines are. Have a clear purpose for the message you want to communicate to the public.

Typically, appropriate topics include significant anniversaries and awards; special events, such as a firm seminar or an open house; commentaries on and explanations of new tax laws and legislative changes; notices of public service activities; and announcements of new services.

To increase the chance of the information being used, become familiar with the target media's reporting style. Then write the release in that style, using the following guidelines.

- ☐ **Be brief.** Try to keep the length of the press release to one double-spaced page. Don't go beyond two pages.
- ☐ **Don't bury the lead.** Position the most important information at the beginning of the release.
- ☐ **Keep the style simple.** Avoid grandiloquent expressions and technical jargon.
- ☐ **Localize the release.** Include the names of firm members in the media's circulation or broadcast area.
- ☐ **Appoint one official firm spokesperson.** Agree on one person to present the facts of a given situation.
- ☐ **Put contact's name at the top.** If the media need more information, they will know whom to contact.
- ☐ **Use an action verb in the headline.**
- ☐ **Use quotes judiciously.** In a short press release, one or two quotes are sufficient. Make sure people quoted will be available for further comment should the media call them.
- ☐ **Use the same firm description on all releases.** End the release with the same one- or two-sentence description of your firm.

Presentation

Type the release, double-spaced, on 8 ½" x 11" paper (firm letterhead is fine), with the words "**News Release**" in boldface near the upper right hand corner. Include the contact's name and telephone number, and either "For Immediate Release" or "Not for Publication Before [date]."(See next column for sample.)

Position your headline one-third down the page, flush left, followed by the town or city from which you are issuing the press release, and the date. Then begin the release.

If you need to continue on a second page, end the first page with a complete paragraph and type "more" at the bottom. At the top of the second page, type a key word and a page number. At the conclusion of the release, type "###" or "end."

NEWS RELEASE
For Immediate Release
Contact: President John Jones
(222) 111-1234

JONES & COMPANY PARTNERS EARN FINANCIAL PLANNING CREDENTIAL

(**NEW CITY, NJ, October 25**)—John Jones, president of John Jones & Company, CPAs, LLP, was recently accredited as a personal financial planning specialist by the American Institute of Certified Public Accountants (AICPA).

To earn the AICPA's Personal Financial Specialist (PFS) designation, individuals must pass a rigorous technical examination and demonstrate significant experience in risk management and insurance planning, investment planning, estate planning, retirement planning, and income tax planning. They must also provide references from clients and other professionals.

"Both our individual and corporate clients rely on us for the increasingly sophisticated financial strategies that are necessary to survive and thrive in the 1990s. The PFS designation is further evidence of our firm's commitment, talent, and leadership in fee-only personal financial planning," says John Jones.

John Jones & Company, headquartered in New City, is a full-service accounting firm that specializes in fee-only personal financial planning for individuals and owners of closely-held businesses.

###

Distribution and follow up

Recent media surveys show that reporters still prefer to receive releases through the mail. Nevertheless, determine an individual's preference, that is, does he or she prefer mail, FAX, or modem.

Avoid sending press releases blindly to the media. Direct them to specific people, then call them within a week to learn whether it was received and if there are any questions. Even if the information won't be used, you can ask how you might assist in developing appropriate material for a future story. ☑

Editor's note: The above comments and exhibit are excerpted from one of the new features in the 1996 supplement to the AICPA Management of an Accounting Practice Handbook. *For more information about the Handbook, call the editor, Mark F. Murray, J.D., at the Institute, (201) 938-3799.*

Your Voice in Washington

Institute continues fight for passage of its workload compression relief bill
During the conference committee's negotiations that produced the revenue reconciliation package Congress sent President Clinton, the conferees dropped the AICPA's workload compression relief bill (H.R. 1661) from the package.

The AICPA is disappointed that the Joint Tax Committee scored the bill as a revenue loser, particularly since its private revenue estimate showed the bill to be revenue positive over the seven-year budget period. The disparate estimates are the result of different economic assumptions. The Institute's efforts are now aimed at the Joint Tax Committee because its estimate is the stumbling block to H.R. 1661's inclusion.

The opportunity to have H.R. 1661 enacted is not lost. Because President Clinton vetoed this revenue reconciliation measure, there is a chance to have H.R. 1661 included in the new budget reconciliation bill if the AICPA can persuade the Joint Tax Committee to score the bill as revenue neutral. The Institute also has another legislative vehicle in its sights—a technical corrections tax bill Congress could consider within the next few weeks. Furthermore, there is significant evidence that bipartisan support for the bill exists. Due to efforts of AICPA key persons, there are now 66 cosponsors of H.R. 1661.

Veto puts tax items back on bargaining table
President Clinton's veto of the revenue reconciliation bill in December put back on the bargaining table all the tax provisions that were in the GOP's balanced budget package.

Republicans are anxious for some of the provisions, particularly capital gains tax relief and child care credit, to be effective for 1995, and there is no telling how long it will take GOP Congressional leaders and the Administration to negotiate a new budget measure. Whatever the time frame, tax practitioners should prepare for a bumpy ride during tax filing season.

Final hurdle for securities litigation reform bill
Supporters of securities litigation reform won a big victory in December when Congress gave final approval to legislation (H.R. 1058) that would curb frivolous class action securities lawsuits. The final hurdle is at the White House, where President Clinton is being heavily lobbied by both supporters and opponents of the bill. At press time, the Administration was sending signals that if the SEC can protect the interests of small investors, the President is willing to sign the bill. ☑

Conference Calendar

Professionalism in Tax Valuations*
January 8—Grand Hyatt, Washington, DC
Recommended CPE credit: 8 hours

Conference on Current SEC Developments*
January 9–10—Grand Hyatt, Washington, DC
Recommended CPE credit: 17 hours

Personal Financial Planning Technical Conference*
January 8–10—Sheraton New Orleans, New Orleans, LA
Recommended CPE credit: 21 hours

*For more information, call the AICPA meetings and travel department, (201) 938-3232.

Reminders About the *Practicing CPA*

Distribution policy. Since September 1991, the *Practicing CPA* has been published by the private companies practice section (PCPS) of the AICPA division for CPA firms. One copy of the publication is sent automatically to each practice unit and to those AICPA members who specifically request it. If you would like to receive your own copy, send your name and address to AICPA membership administration, Harborside Financial Center, 201 Plaza Three, Jersey City, New Jersey 07311-3881.

Request for information. Practitioners are the main source of material for *Practicing CPA* articles. We would like to encourage the exchange of information to make managing a practice easier and more profitable. Just send your ideas to the editor at the Institute's offices in New Jersey.

Volumes of experience. The following volumes of articles collected from past issues (Dec.1977–Dec.1990) of the *Practicing CPA* are available:

- ☐ The *Practicing CPA on Practice Development* (product no. 092100)
- ☐ The *Practicing CPA on Firm Management* (product no. 092101)
- ☐ The *Practicing CPA on Partners and Personnel* (product no. 092102)

The price of each book is $38.50 ($42.00 for non-members). To purchase the books, call the AICPA order department, (800) TO-AICPA. Ask for operator PC.

Results of 171 Ethics Investigations of Employee Benefit Plan Audits

The AICPA and the Pension and Welfare Benefit Administration (PWBA) of the U. S. Department of Labor are involved in a cooperative effort whereby the PWBA refers to the AICPA professional ethics division audit engagements conducted by independent public accountants on employee benefit plans which the PWBA alleges are substandard. The ethics division investigates the complaints/referrals according to the procedures of the Joint Ethics Enforcement Program existing between the AICPA and the state CPA societies.

To bring to the attention of members the most common deficiencies found in these audits, the ethics division prepared reports which were published in the April 1992 and August 1993 issues of the *Practicing CPA*. Since then, more referrals have been made and ethics investigations conducted, and the division has revised and updated its statistical information.

Exhibits 1 and 2, which follow, show the distribution of the engagements by type of plans and engagement years, while exhibit 3 summarizes the most common deficiencies found in 171 ethics investigations of employee benefit plan audits. ☑

Exhibit 1
Distribution by Type of Plan

Type of plan	Number of cases
Defined benefit	58
Defined contribution	80
Employee health and welfare benefit	33
Total	171

Exhibit 2
Distribution by Engagement Year

Year of engagement	Number of cases
1984	1
1985	1
1986	16
1987	3
1988	51
1989	61
1990	25
1991	4
1992	9
Total	171

Exhibit 3
Most Frequently Occurring Technical Standards Violations

	Number of cases
General Standards Rule 201A	
Professional competence (a)	40
General Standards Rule 201B	
Due professional care	53
Auditing Standards Rule 202	
Audit report deficient (b)	105
Inadequate or no planning and/or supervision	37
Inadequate or no audit program	54
Inadequate or no client representation letter	87
Inadequate or no attorney's letter or procedures	55
Financial statements do not comply with Guide (c)	30
Inadequate or no disclosure	74
Inadequate or no evidence of:	
A study and evaluation of internal control	81
Review of subsequent events	87
Review of related party transactions	33
Review of prohibited transactions	78
Procedures re: commitments and contingencies	57
Procedures re: participants' data	72
Procedures re: contributions and payments	75
Procedures re: investments	45
Accounting Standards Rule 203	
Inadequate disclosure per Financial Accounting Standards Board Statement no. 35	39
Financial statements do not comply with FASB no. 35	27

(a) Lack of professional competence is cited in cases where the AICPA member undertook and performed the engagement without learning the requirements connected with that type of engagement.
(b) Examples of audit report deficiencies are: no reference to generally accepted auditing standards; no qualification in circumstances where qualification is required; issuance of qualified report without adequate reason; the report refers to the most recent financial statements only, although comparative financial statements are presented; the report does not make appropriate reference to supplemental schedules, or, does not comply with SAS no. 58.
(c) AICPA Audit and Accounting Guide: *Audits of Employee Benefit Plans*.

Report on 224 Ethics Investigations Resulting from Government Agency Referrals

The AICPA and the President's Council on Integrity and Efficiency are involved in a cooperative effort whereby Inspectors General (IG) of government agencies refer to the AICPA's professional ethics division audits conducted by independent public accountants of entities receiving federal financial assistance, which the agencies consider substandard.

The professional ethics division investigates the complaints and referrals according to the procedures of the Joint Ethics Enforcement Program of the AICPA and state societies. Knowledge of the most commonly occurring deficiencies found in 224 investigations is useful to practitioners when planning and conducting audits of these entities.

Most Frequently Occurring Technical Standards Violations

	Number of cases
General Standards Rule 201A	
Professional competence (a)	11
General Standards Rule 201B	
Due professional care (b)	64
Auditing Standards Rule 202	
Audit report deficient (c)	98
Inadequate or no client representation letter	82
Inadequate or no supervision and/or planning	73
Inadequate or no audit program	59
Inadequate or no supporting documents (workpapers)	63
Inadequate or no evidence of study and evaluation of internal control (per GAAS) (d)	42
Inadequate or lack of disclosure	34
Inadequate or no attorney's letter or litigation work	53
Inadequate or no subsequent event review	46
Internal control/compliance report inadequate (e)	13

	Number of cases
Accounting Standards Rule 203	
Financial statement disclosures do not comply with GAAP	40
Acts Discreditable Rule 501 (e)	
Interpretation 501-3, "Failure to Follow Standards and/or Procedures or other Requirements in Governmental Audits" Inadequate or no compliance testing	118
Inadequate or no study and evaluation of internal control (d)	81
Internal control report inadequate	75
Compliance report inadequate	52
Workpapers are inadequate per GAGAS or agency audit guide	75
Financial statement disclosure does not follow agency audit guide	29
Reportable conditions not disclosed	34
Procedures are inadequate per audit guide	23

(a) Lack of "professional competence" occurred in cases where the respondent undertook an engagement and performed it without learning the requirements connected with that type of engagement.

(b) Lack of due care was cited in cases where there were many typographical errors; amounts shown in the financial statements did not tie in to relevant items in the notes; incorrect titles or headings were used; and reports were not signed.

(c) Examples of audit report deficiencies are: no reference to generally accepted auditing standards; no reference to generally accepted accounting principles; audit report is not qualified in circumstances when qualification is required; audit report is qualified without adequate reason, or, in most recent audits, no compliance with SAS no. 58 or SAS no. 62.

(d) A study and evaluation of internal controls of the entity and evidence thereof is required under GAAS. Under GAGAS, however, there are additional requirements for study and evaluation of internal controls regarding federal financial assistance. Further, the evidence for such study and evaluation is judged under the more stringent workpaper requirements of governmental auditing standards and/or agency audit guides.

(e) Prior to the issuance of SAS no. 63 (AU §801) in April 1989, there was no AICPA pronouncement under generally accepted auditing standards regarding compliance auditing.

Standards were enforced under Rule 501 Interpretation 501-3 of the AICPA Code of Professional Ethics: "Failure to Follow Standards and/or Procedures, or other Requirements in Governmental Audits," that is, when an auditor undertakes a governmental engagement and agrees to follow specified government audit standards, guides, procedures, statutes, rules, and regulations, he or she is obligated to follow those standards in addition to GAAS.

The 224 engagements considered in this report were conducted in the ten-year period, 1982 through 1992. Rule 501, Interpretation 501-3 was cited for compliance audit related violations prior to the issuance of the SASs on compliance auditing. Subsequently, such violations are encompassed under Rule 202—Compliance with Standards, of the AICPA Code of Professional Conduct.

We Need Your Input

The *Practicing CPA* periodically publishes its editorial advisers' responses to questions asked by participants at PCPS, MAP, and Small Firm conferences. To help us generate ideas for practical articles on various aspects of managing a practice, we would appreciate receiving your questions in the following areas:

Firm Management

____

____

____

Partners and Partnerships

____

____

____

Personnel

____

____

____

Practice Development

____

____

____

Firm size: No. of partners ________ No of Professionals ________ Total Personnel ________

To make sure your questions are received promptly, mail or (preferably) FAX a copy of this completed form to Graham G. Goddard at the Institute's New Jersey office, (800) FAX-1112. ☑

AICPA
American Institute of Certified Public Accountants
Private Companies Practice Section
1211 Avenue of the Americas
New York, N.Y. 10036-8775
(212) 596-6200
Fax (212) 596-6213